

**Opening Statement of Chairman Tom Davis  
Government Reform Committee Hearing  
“Acquisition Under Duress: Reconstruction Contracting in Iraq”  
September 28, 2006, 10:00 a.m.**

Good morning. We meet today to look into the challenges surrounding the daunting task of coordinating and executing contracts to rebuild long-neglected critical infrastructure in war-torn Iraq.

Since 2004, the Committee has been engaged in continuous and vigorous oversight of contracting activities in Iraq. The oversight has involved four hearings on the challenges of contracting in a war zone, numerous briefings from the agencies involved in the contracting efforts as well as review of thousands of documents the Committee obtained from key federal agencies. Those efforts focused primarily on contracts for logistical support of U.S. military operations. In this hearing, we will examine the process, the progress and the problems of reconstruction contracting activities in Iraq.

Since the beginning, it has been our goal to move beyond the polarized politics that swirl around any topic related to the war in Iraq and conduct thorough, balanced oversight of acquisition activities in Iraq. Some on the other side have not shared that goal, choosing instead to play “hit and run” oversight with inflammatory press releases and one-sided presentations from self-appointed watchdogs and whistleblowers. They oversimplify, distort and prejudge the outcome of complex contracting processes to fit the pre-ordained conclusion that everything goes wrong in Iraq. And, it will never go without saying that it’s all Halliburton’s fault.

I hope this hearing will be different. We will hear from the Administration, from two of the most active oversight offices, and from participating contracting firms. I know that means we have a large number of witnesses and that this hearing will take some time to complete. But real oversight, responsible oversight, is as much a matter of due diligence as startling disclosures. It should be about sustaining good government not the quick “Gotcha!” .

The picture painted by our witnesses today will not be pretty, nor will their testimony necessarily tell the complete story of an evolving, dynamic sometimes dangerous process. But this much is clear: Poor security, an arcane, ill-suited management structure, and a dizzying cascade of set-backs have produced a succession of troubled acquisitions.

The construction of a children’s hospital in Basrah is almost a full year behind schedule and more than \$50 million over budget. A project for the construction of 150 primary healthcare centers across Iraq has consumed over \$180 million but has

resulted in the completion of only six centers. At best, the Iraqis will end up with only 20 of the health facilities planned under this contract. Other troubled projects include a \$218 million emergency communications network that does not allow citizens to call for emergency services and multiple water projects that are chronically over budget and behind schedule.

Just this morning, we learned the details of yet another critical reconstruction project gone terribly wrong. A \$75 million dollar police academy that has been so poorly constructed that it poses health risks to its occupants and may need to be partially demolished.

Obviously, security is the critical factor driving costs and confounding contract management and oversight. On a daily basis, our military, civilians, and contractors come under hostile fire. A number of contractor employees have been killed or wounded. It is a major understatement to say Iraq is a tough place to conduct business. Travel can be difficult or impossible. So it is no surprise that normal acquisition support and oversight resources are stretched to the breaking point.

But a challenging security environment cannot excuse otherwise avoidable problems and preventable waste. Original plans proved wildly optimistic. Only about 55% of the planned water projects and about 70% of the planned projects in the electricity sector have been completed. According to the Special Inspector General for Iraq Reconstruction, we keep spending more and building less because cost estimates are still inaccurate, reconstruction priorities and funding allocations keep shifting, and contractor performance is not being closely monitored.

So we need to learn how contracting systems designed to work here are being adapted to function under very different, hostile circumstances over there. We have to ask whether contractors have over promised and underperformed or whether the companies were stuck in an environment where success was virtually impossible. But things have been built, and some of our witnesses today will testify that, despite many challenges, we are progressing – slowly but surely. In fact, the Special Inspector General points out that his on-site assessments show that about 80% of the projects inspected have met contract specifications.

Many of our witnesses have spent considerable time working in Iraq, and we value their experience and their perspective on the important issues raised by reconstruction contracts there. Much is at stake, in terms of U.S. tax dollars and in terms of effectively helping the Iraqi people rebuild the basic infrastructure of their nation. We look forward to their testimony and to a frank, constructive discussion.